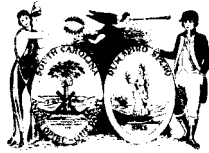


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 23, 2002

Ms. Myria A. Polydorou, Vice President - Finance
Health Care Corporation
Post Office Box 5419
Spartanburg, South Carolina 29304

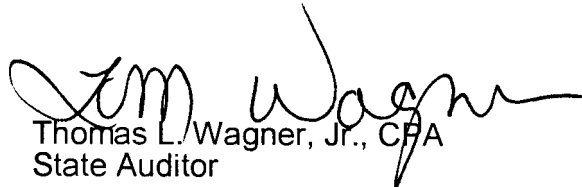
Re: AC# 3-CSF-J0 – Chesterfield Convalescent Center, Inc.

Dear Ms. Polydorou:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

CHESTERFIELD CONVALESCENT CENTER, INC.

CHERAW, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-CSF-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 12, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chesterfield Convalescent Center, Inc., for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Chesterfield Convalescent Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

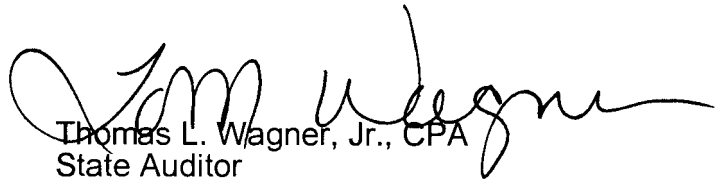
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chesterfield Convalescent Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chesterfield Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 12, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

CHESTERFIELD CONVALESCENT CENTER, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-CSF-J0

	10/01/01- <u>09/30/02</u>
Interim Reimbursement Rate (1)	\$100.48
Adjusted Reimbursement Rate	<u>99.89</u>
Decrease in Reimbursement Rate	\$ <u><u>.59</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

CHESTERFIELD CONVALESCENT CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-CSF-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.57	\$58.02	
Dietary		10.62	10.74	
Laundry/Housekeeping/Maintenance		<u>8.81</u>	<u>9.23</u>	
Subtotal	\$ <u>5.46</u>	69.00	77.99	\$69.00
Administration & Medical Records	\$ <u>4.36</u>	<u>7.11</u>	<u>11.47</u>	<u>7.11</u>
Subtotal		76.11	\$ <u>89.46</u>	76.11
<u>Costs Not Subject to Standards:</u>				
Utilities		2.34		2.34
Special Services		.17		.17
Medical Supplies & Oxygen		4.36		4.36
Taxes and Insurance		1.87		1.87
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>84.85</u>		84.85
Inflation Factor (3.80%)				3.22
Cost of Capital				8.40
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.97
Cost Incentive				5.46
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.68)
Nurse Aide Staffing Add-On 10/01/00				<u>1.67</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>99.89</u>

CHESTERFIELD CONVALESCENT CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-CSF-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,857,071	\$ -	\$ 5,922 (3) 290 (3)	\$1,850,859
Dietary	397,334	-	690 (3)	396,644
Laundry	47,711	-	135 (3)	47,576
Housekeeping	206,786	-	648 (3)	206,138
Maintenance	75,459	-	101 (3)	75,358
Administration & Medical Records	278,447	-	12,519 (2) 429 (3)	265,499
Utilities	87,271	-	-	87,271
Special Services	6,462	-	-	6,462
Medical Supplies & Oxygen	162,794	-	84 (3)	162,710
Taxes and Insurance	69,852	-	-	69,852
Legal Fees	94	-	-	94
Cost of Capital	<u>313,249</u>	<u>498 (4)</u>	<u>-</u>	<u>313,747</u>
Subtotal	3,502,530	498	20,818	3,482,210

CHESTERFIELD CONVALESCENT CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-CSF-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	28,814	-	-	28,814
Non-Allowable	101,027	12,519 (2)	498 (4)	121,347
	<u> </u>	<u>8,299 (3)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,632,371</u>	<u>\$21,316</u>	<u>\$21,316</u>	<u>\$3,632,371</u>
Total Patient Days	<u>37,336</u>	<u>-</u>	<u>-</u>	<u>37,336</u>
TOTAL BEDS	<u>104</u>			

CHESTERFIELD CONVALESCENT CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-CSF-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation - Land Improvements	\$ 288	
	Accumulated Depreciation - Building & Improvements	4,559	
	Accumulated Depreciation - Furniture & Equipment	1,468	
	Other Equity		\$ 6,315
	To properly carryforward 9/30/91 balances HIM-15-1, Section 2304		
2	Nonallowable Administration	12,519	12,519
	To carryforward 9/30/98 adjustment to disallow working capital interest HIM-15-1, Section 202.2		
3	Nonallowable	8,299	
	Nursing		5,922
	Restorative		290
	Dietary		690
	Laundry		135
	Housekeeping		648
	Maintenance		101
	Administration		429
	Medical Supplies		84
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

CHESTERFIELD CONVALESCENT CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-CSF-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Cost of Capital Nonallowable	498	498
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$27,631</u>	<u>\$27,631</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHESTERFIELD CONVALESCENT CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-CSF-J0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>88</u>	<u>16</u>	
Deemed Asset Value	3,277,648	595,936	
Improvements Since 1981	208,569	2,512	
Accumulated Depreciation at 9/30/00	(<u>1,071,380</u>)	(<u>107,798</u>)	
Deemed Depreciated Value	2,414,837	490,650	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	140,061	28,458	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	140,061	28,458	
Depreciation Expense	110,563	28,316	
Amortization Expense	4,683	1,693	
Capital Related Income Offsets	(22)	(5)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	255,285	58,462	\$313,747
Total Patient Days (Actual)	<u>31,592</u>	<u>5,744</u>	<u>37,336</u>
Cost of Capital Per Diem	\$ <u>8.08</u>	\$ <u>10.18</u>	\$ <u>8.40</u>

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